

Message Text

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ACTION EB-08

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E.O. 11652: NA
TAGS: ETRD NL
SUBJECT: TESTIMONY FOR HEARING ON "BUY AMERICAN" BILL

REF: STATE 61254

1. SUMMARY: WITHOUT ADDRESSING THE BROADER TRADE POLICY CONSIDERATIONS WHICH WOULD ALSO BE PLACED IN SERIOUS JEOPARDY, WE BELIEVE PROPOSED STRENGTHENING OF "BUY AMERICA" PROVISIONS WOULD AGGRAVATE AN ALREADY IRRITATING US TRADE BARRIER AND PROBABLY WOULD RESULT IN SUBSTANTIAL DETERIORATION IF NOT ABANDONMENT OF RELATIVELY OPEN MANNER IN WHICH GON AND ITS CONTROLLED ENTITIES NOW PROCURE US COMMODITIES AND EQUIPMENT. END SUMMARY.

2. DURING F-16 NEGOTIATIONS GON COMPLAINED THAT USG PROFESSION OF A TWO WAY STREET IN GOVERNMENT PROCUREMENT BORE LITTLE RELATIONSHIP TO HURDLES ERECTED BY USG SUCH AS "BUY AMERICA" AND JONES ACT. THIS REACTION WAS EXACERBATED WHEN VFW-FOKKER AIRCRAFT, WHICH WAS ONLY PARTICIPANT TO SURVIVE INITIAL COMPETITION, WAS THROWN OUT AND A
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NEW CALL FOR SUBSTANTIALLY REVISED BIDS WAS ISSUED FOR US COAST GUARD PATROL AIRCRAFT. WE NOTE THESE ISSUES MAINLY TO RECALL LONG STANDING DUTCH IRRITATION WITH "BUY AMERICA" AND USG PROCUREMENT PRACTICES FOR PURCHASING AIRCRAFT.

3. EXAMPLES OF AREAS OF RELATIVELY OPEN PROCUREMENT

BY GON AND ITS CONTROLLED ENTITIES OF US COMMODITIES AND EQUIPMENT, WHICH MIGHT BE EXPECTED TO SUFFER SHOULD US DECIDE TO IMPOSE SUBSTANTIALLY GREATER BUY AMERICAN RESTRICTIONS ON USG PROCUREMENT WOULD INCLUDE FOLLOWING:

A. MILITARY PROCUREMENT - GON IS CURRENTLY CONSIDERING WHETHER TO BUY ABOUT 500 LEOPARD II OR XM-1 TANKS, AS WELL AS 13 US ORION, FRENCH ATLANTIQUE, OR UK NIMROD NAVAL PATROL AIRCRAFT. ORDERS FOR US MILITARY EQUIPMENT IN 1977 TOTALLED \$108 MILLION.

B. KLM, WHICH IS 78 PERCENT OWNED BY GON, HAS A FLEET OF 8 BOEING 747'S, 7 DC-10'S, 15 DC-8'S, AND 18 DC-9'S AND IS IN PROCESS OF ADDING 4 BOEING 747'S IN 1978-79 WITH A TOTAL VALUE OF \$230 MILLION. KLM IS CONSIDERING A SUBSTANTIAL PURCHASE OF EITHER A-300'S OR DC-9'S FOR DELIVERY IN 1980'S. KLM WILL ALSO BE LOOKING FOR MORE WIDE-BODIED AIRCRAFT TO SERVICE NEWLY AGREED ROUTES TO LOS ANGELES AND ANOTHER AS YET UNDESIGNATED US DESTINATION. KLM'S LARGE COMPUTER CENTER IS BASED ON IBM EQUIPMENT WITH CONTINUAL ANNUAL REPLACEMENTS AND ADDITIONS.

C. DUTCH POST AND TELEGRAPH AUTHORITY ORDERED \$13.7 MILLION OF US EQUIPMENT IN 1975 AND \$3.7 MILLION IN 1976.
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D. GOVERNMENT OWNED DUTCH STATE MINES PURCHASED \$9.3 MILLION OF US EQUIPMENT IN 1977.

E. MARTIN AIR, 25 PERCENT OWNED BY KLM, ORDERED ONE DC-10 - 30 DF AIRCRAFT VALUED AT \$45 MILLION FOR DELIVERY IN 1978.

F. DUTCH AIRLINES, PRINCIPALLY KLM AND MARTIN AIR, PURCHASED APPROXIMATELY \$18.2 MILLION OF US RADIO AND RADAR EQUIPMENT IN 1976-77.

G. DUTCH NATIONAL RAILWAYS PURCHASED APPROXIMATELY \$9.1 MILLION OF AUTOMATIC SHUNTING EQUIPMENT IN 1977-78 FROM WESTINGHOUSE.

H. DUTCH GOVERNMENT BUSINESS MACHINE CENTER ESTIMATES IT PURCHASED \$80-90 MILLION OF US EQUIPMENT, ALMOST HALF IN IBM COMPUTERS, FROM US SUBSIDIARIES AND DUTCH IMPORTERS IN 1977.

I. CIVIL AVIATION AUTHORITIES ORDERED \$4.1 MILLION

OF US GROUND SUPPORT EQUIPMENT AND SMALL AIRCRAFT
IN 1977 AND ARE IN PROCESS OF CHOOSING BETWEEN US AND
BRITISH MICROWAVE LANDING SYSTEMS FOR ALL DUTCH CIVIL
AIRPORTS AND AIRCRAFT. THIS LATTER ORDER COULD AMOUNT
INITIALLY TO OVER \$3 MILLION AND MIGHT OPEN THE WAY FOR
OTHER SALES IN EUROPE.
BROWN

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